

RISK AND MITIGATION MEASURES

Risks to UGIIP-2 arise due to the need for implementation of urban policy reforms at the national and Pourashava levels and its relationship to project funding at various stages. In addition, UGIIP-2 has a multi-sectoral coverage and involves a wide range of institutions and stakeholders that contributes to its complexity. Early identification of potential risks, their monitoring and steps for mitigation will help in their effective management during the project's implementation. The potential risks and mitigation measures are listed below.

Risks and constraints	Proposed Mitigation Measures
Overall Project Risk	
Delays in implementation of policy reforms by GOB could affect project funding at various stages.	Loan agreement between GoB and ADB will include policy implementation framework. Regular monitoring jointly by GoB and ADB towards meeting Project-related policy reforms will help mitigate this risk. Project's support to GoB/CULG through the Urban Policy Reform Support team is aimed at enabling timely progress on policy implementation. Sequence of policy implementation action has been formulated to enable completion of simpler actions first; e.g., not requiring changes in law.
Lack of strategic convergence amongst donor agencies adopting different approaches could affect success of urban sector reforms.	The project has sought to develop an inclusive strategy with donors like GTZ and DFID. An MOU between ADB, GTZ and LGED is under preparation. Donor coordination during project implementation is necessary to ensure harmonization of donor initiatives.
Policy Risk	
Local Government commitment, especially Chairperson's support critical to pursue Pourashava level reforms. Actions like raising tariffs/taxes/rates can be politically unpopular.	The project encourages and incentivizes Pourashavas to initiative internal efficiency improvements before suggesting any tariff increase. It is anticipated that improvement of existing municipal services (quality, quantity and reliability) will raise consumer satisfaction levels thus justifying possible tariff/taxes/rate increases.
Delays in advancing the decentralization and devolution process of decision-making especially with regard to financial autonomy and decision-making by Pourashavas.	Support to national policy reforms through UPRS team and building consensus through mechanisms like the platform for learning across municipalities promoted under the Project.
Transfer of water supply assets to local governments not matched by adequate resources of Engineering Department of Pourashava	Tariff/user charge increase together with better billing and collection efficiency will meet incremental Operation and Maintenance expenditure of the Pourashava.
Institutional Arrangement – Risk	
LGED, the Executing Agency, has no direct authority over Pourashavas. The Department's limited formal enforcement and sanctioning powers relating to Pourashavas constitute a risk for project implementation.	Agreements will be signed into between LGED and participating Pourashavas for undertaking reforms and sub project agreements. The agreement will describe the roles and responsibilities of each party.

Risks and constraints	Proposed Mitigation Measures
The existing Pourashava organization structure does not meet the requirements for effective project implementation.	The new organization structure and staff requirements will be assessed by undertaking capacity enhancement needs assessment and organization development plans of each participating Pourashava. Sufficient positions and budget is earmarked for PIU staff.
Greater autonomy and authority in management including financial management is necessary for increased performance in the sector.	The National Policy reforms to be undertaken under the project and the project's implementation support and capacity building component will promote and facilitate the institutional development process to allow a transitional process of decentralization through empowerment of Pourashavas authorities.
Frequent change of staff positions at Pourashavas may hamper the project implementation	To ensure effective implementation of the project, the key staff members at the Pourashava level should not be shifted for at least the first three years.
Lack of community ownership and support of stakeholders and government agencies is necessary for the project's sustainability	PDP process ensures identification of stakeholders and engaging them at every stage of the project. This process will enhance ownership and commitment of various stakeholders group. TLCC's and WLCC's constituted under the Project will strengthen community ownership and support.
Legal obstacles to slum upgrading and basis services to the poor	The project encourages provision of basic services irrespective of land ownership. Any investment on contested lands (owned by the Pourashava/ Government) will be taken up following a resolution by the Pourashava Council not to evict/relocate the residents. Similarly in the case of private lands, the Pourashava Council should secure undertaking from the landowner that there would be no eviction or relocation for at least 15 years.
Institutional strengthening	
Reluctance of Pourashavas to timely increase of tariffs in order to meet O&M costs, to meet consumer demand for improved service delivery.	The project will ensure a gradual increase of user charges, especially after implementation of service delivery improvement program. Customer satisfaction & willingness to pay surveys will be conducted to support tariff adjustments. Further, subsidies to the poor will be ensured through effective targeting.
Weak capacity of Pourashava can affect the project performance.	Adequate training will be given to elected and Pourashava officials. Key additional staff positions under the PIUs will ensure implementation capacity.
Delay in timely recruitment and satisfactory performance of consultants can hinder progress of the project.	Timely procurement of consulting inputs and monitoring of their performance by LGED necessary to ensure timely and satisfactory progress,
Sub-optimal performance of PIUs to support the project Pourashavas	PMO and Pourashavas to ensure that PIUs are fully staffed and capable of undertaking duties.
Physical Component Risk	
Delays in timely land transfers and compensation for affected Person (AP)	Resettlement framework and project management system at PMO will minimize the delays.

Risks and constraints	Proposed Mitigation Measures
Temporary relocation of street vendors/hawkers during construction of civil works can delay the project	Resettlement framework available under the projects addresses such situations.
Environmental issues/mandatory clearances required from Dept of Environment may affect timely implementation of some sub projects.	Environmental Framework prepared under the project addresses issues. Environmental clearances shall be completed before scheduled construction.
Environmental pollution and nuisance to public can create adverse public opinion	Sub project selection criteria don't allow projects having adverse environmental impacts. Environmental Framework ensures effective mitigation of environmental concerns. Environmental pollution and nuisance to the public to be minimized during construction through diligent site supervision and monitoring. Tender and contract documents to clearly specify contractor responsibilities.
Pourashavas may not have the skills to manage the operations of new facilities septage disposal, treatment and disposal of solid waste in an environmentally sound manner. Available skills in leak detection and control are also limited.	PMO will prepare guidance documents, engage need-based specialists and provide training for operation and maintenance of facilities. Project will also encourage private public partnership options for management of assets.
Financial Management Risk	
Project may cause significant expenditure burden on the O& M side due to large-scale infrastructure investment.	The financial improvement action plan and other governance improvement measures will enhance revenue of Pourashavas and rationalize expenditure (by measures such as energy and water audits).
Low willingness to pay of Pourashava residents for proper O & M of infrastructure facilities.	Following the improvement of existing municipal services (quality, quantity and reliability), consumer satisfaction level will be improved and citizens would be willingness to pay for the services that they receive.
Tariffs for services not set at appropriate levels or collected efficiency	Governance improvement action plan will highlight these deficiencies; and performance evaluation processes ensure effective implementation of course correction measures.
Pourashavas not repaying loan component for sub projects	Timely repayment of loan shall be performance evaluation criteria for progressing to successive phases of the Project.
Social Risks	
Pourashavas do not address poverty alleviation activities; lack adequate skills to undertake the same.	Project will incentivize Pourashavas to address poverty in a comprehensive way. Social development/poverty experts will be deployed in PMO and PIU.
Investment provided under the project should be converged with other programs to target the urban poor effectively	PDP process ensures convergence of various poverty and social development programs.
Poor and vulnerable groups not consulted in decision making	PDP process as well as modified TLCC and WLCC provides platform for the poor to voice their concerns and address their needs in planning and implementation.
Poor cannot afford the cost of services	Project encourages targeting of subsidies to the poor and vulnerable groups.

Risks and constraints	Proposed Mitigation Measures
Resettlement and Land Availability	
<p>Difficulties in procuring suitable public or private land; high cost of land acquisition especially the private land.</p> <p>Resettlement of disadvantaged groups can become contentious and may result in project delays.</p>	<p>As per the resettlement framework under the project, early clearance for access to land is a precondition. Further, preparatory work for R&R will be undertaken early in sub-project implementation. The R&R framework identified various resettlement situations and suggested suitable recommendations as per the guidelines of GoB and ABD. The project made enough provision for R&R and land acquisition costs.</p>
Economic risks	
<p>High indirect economic costs e.g. shutting down of street vendors/hawkers</p>	<p>Sub project selection criteria exclude projects with high economic costs. Resettlement framework will ensure economic costs are minimized.</p>
<p>Effective demand for the services provided under the project is less than the projected due to lack of consumer affordability or willingness to accept change.</p>	<p>Pourashavas will undertake communication campaigns thereby ensuring demand creation for basic services. Customer perception and & willingness to pay will provide information for designing a strategy for creation of demand.</p>
<p>Operation and maintenance of the infrastructure and equipment provided under the project are not funded and /or carried out at levels sufficient to sustain project benefits.</p>	<p>Preparation & implementation of operation and maintenance plan (including budgetary allocation) is a criterion for assessing the performance of the Pourashava. Implementation of UGIAP-2 will result in improvement in financial situation for undertaking effective operation and maintenance.</p>